

## Press release

# 2015 results, commercialization milestones and strategic roadmap

**Libourne – 30 March 2016** – Fermentalg's Board of Directors, which met on 23 March 2016, has approved the accounts for financial year 2015 and reviewed the strategic roadmap recommended by the Group's executive management.

### **Yearly results and financial situation at end-2015**

At €1.7 million, Fermentalg's operating income (revenues and subsidies) in 2015 partly offset its operating expenses for the year (€7.3 million as against €5.7 million in 2014), taking the Group's current operating income<sup>1</sup> to -€5.7 million for the period (-€3.4 million in 2014). Excluding other income and expenses (+€0.4 million), net income for 2015 amounted to -€5.3 million compared with a figure of -€4.0 million in 2014.

Net cash for Fermentalg amounted to €24.7 million on 31 December 2015 as against €37.8 million one year earlier, with the Group allocating €12.2 million in spending to operational investments, notably those linked to its future Industrial Development Unit (IDU) currently under construction.

### **Commercialization of Fermentalg's first molecules over the next 12 months**

Drawing on an optimized process book, Fermentalg is targeting the production and sale of the first batches of DHA (Omega-3), which is its most advanced programme, over the next 12 months as it finalizes the necessary agreements.

Already awarded a Novel Food authorization to market a DHA-enriched oil for today's vast human nutrition market, Fermentalg has also extended the distribution agreement with AVRIL Group (ex-SOFIPROTEOL), which will open the way for the commercialization of the first molecule developed by the company.

### **Strategic plan for 5 priority molecules**

In keeping with the company's strategy announced at the time of its IPO to give priority to markets with a very high value-added, and in order to develop its portfolio of projects, Fermentalg will focus its scientific and commercial efforts on 5 target molecules of interest or products:

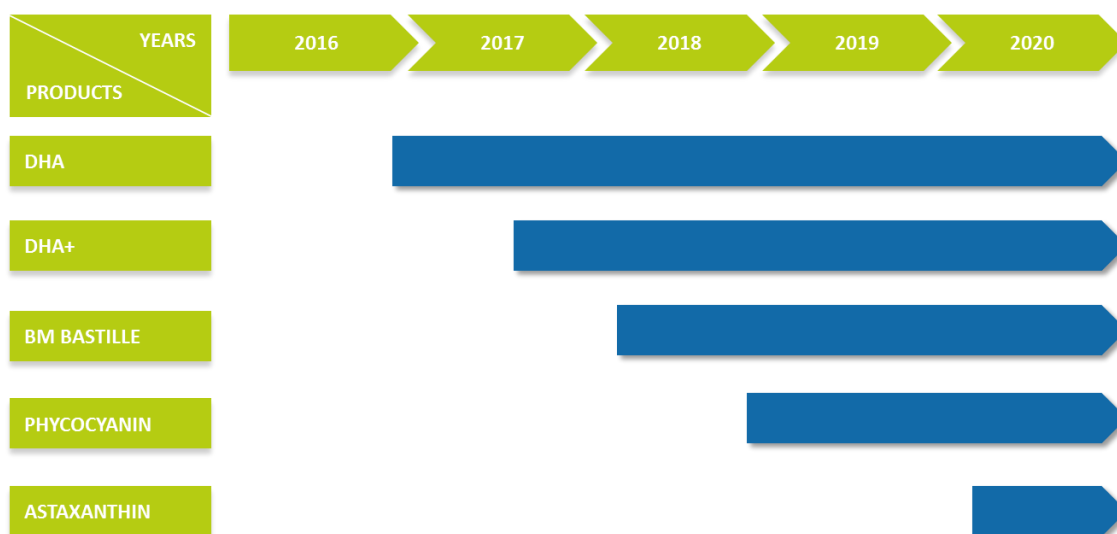
- **DHA:** a highly sought-after essential fatty acid (Omega-3) known for its role in the prevention of numerous illness. DHA is recognized for its beneficial effects on the brain (tissue, healthy development and increase in intellectual capacity) and the heart (reduction in triglycerides, cholesterol and the risk of cardiovascular disease).

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<sup>1</sup> Operating income before share-based payments

- **DHA+**: which shares all of the benefits of DHA but which also has a higher concentration of essential fatty acids and a lower concentration of saturated fatty acids for very high value-added applications.
- **BM Bastille**: the entire biomass can be used to produce phycocyanine and in other complementary applications thanks to its high content in terms of proteins, complex carbohydrates, minerals, vitamins and antioxidants. It works as an alternative to Spirulina.
- **Phycocyanine**: one of the few naturally blue pigments, phycocyanine is the only one authorized for use in food, both in Europe and in the United States. The molecule also has fluorescent properties for medical imaging applications and nutrition and health claims that make for potential opportunities in the nutraceutical industry.
- **Astaxanthin**: an extremely active antioxidant pigment and one of the best-known products derived from microalgae on the market. Natural astaxanthin is primarily used by the nutraceutical industry and by the food supplements market which has enjoyed very robust growth and offers excellent possibilities in terms of development.

The indicative timetable of commercialization for these 5 molecules is presented below:



These 5 molecules, whose primary target markets are human nutrition and animal feed but also cosmetics and health, currently offer the most attractive characteristics and prospects for commercialization amongst the company's portfolio of molecules.

As such, the company has decided to concentrate its resources on finalizing the development of these priority molecules and on implementing the dedicated production processes and sales initiatives required. Other programs, dedicated to more distant markets, will be deployed at a slower pace.

### **Mobilization of dedicated resources for the commercial development of the company**

In order to underpin its strategic plan, Fermentalg will be carrying out a certain number of projects in 2016 aimed at optimizing the allocation of resources to its priority molecules which will also cover:

- **Industrial property:** Fermentalg's industrial property policy will now center on the protection of these priority molecules as it continues to benefit from the substantial technological lead afforded by its new active ingredient patent for breeding microalgae in a predominantly heterotrophic mixotrophic environment.
- **Concentration of resources:** As well as actively pursuing the concrete implementation of its commercial strategy, Fermentalg will be carrying out a selective review of its portfolio of partnerships.

### **Adaptation of the construction schedule for the Industrial Development Unit**

Given the headway made in its DHA programme, Fermentalg has begun exploring alternatives with its partners which would allow it to accelerate production before the completion of the Industrial Development Unit (IDU).

The company has decided to devote the IDU to the production of molecules with a very high value-added, and to outsource the more large-scale production of molecules like DHA to partner sites. This approach will enable the company to retain its operational flexibility whilst also concentrating its industrial capacity and expertise on molecules that set it in a class of its own.

The schedule for the construction of the IDU, the overall cost of which has been adjusted to €23 million, has therefore been revised in line with the planning for the launch of the molecules which will enter into production/commercialization after the DHA programme. The industrial commissioning of the IDU is now scheduled for 2018.

### **Solid financials in 2016 and beyond**

Based on its current cash position and the resources needed to carry out its strategic plan, Fermentalg believes that it has sufficient cash flow to last until the end of 2017, and is already working on various financing solutions to accompany its commercial development.

*Andrew Echatti, Chief Executive Officer, said: "Our strategy is further proof of Fermentalg's potential and assets and its capacity to deploy on global high-growth markets. The new organizational structure defined by the management and approved by the Board of Directors means we can now focus on the most promising segments for Fermentalg in the years to come. We have a roadmap that will enable us to capitalize on our company's scientific expertise and our goal is to launch our molecules on the market in the next few months."*

Fermentalg's management will be presenting the company's results for 2015 and its outlook to investors and financial analysts on 26 April.

### **2015 yearly accounts**

The consolidated yearly accounts of the group Fermentalg on 31 December 2015 were approved by the Board of Directors on 23 March 2016. The statutory accounts of the Group have performed their audit procedures on the financial statements and the opinion report on the consolidated accounts is being broadcast.

The annual financial report will be available to the public by 30 April 2016 at the latest.

### **About Fermentalg**

Founded in 2009 by Pierre Calleja, Fermentalg is an industrial biotechnology company that specializes in producing sustainable oils and proteins derived from the exceptional properties of microalgae. Its patented technology allows it to target a range of fast-growing global markets, from nutrition and animal feed to cosmetics and health. Fermentalg has already signed its 1<sup>st</sup> joint-venture linked to Omega-3 oils fatty acids (DHA). Fermentalg shares are listed on Euronext in Paris (FRO011271600 - FALG). For more information, visit the Fermentalg website at: [www.fermentalg.com](http://www.fermentalg.com).

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## Income statement

(€ thousands)	31/12/2014	31/12/2015
<b>Revenue</b>	<b>900</b>	<b>479</b>
Other income from operations	1,405	1,185
Production costs	0	0
Research and Development expenses	-3,315	-3,096
Administrative and sales expenses	-2,343	-4,236
Other operating income and expenses	0	0
<b>Operating income before share-based payments</b>	<b>-3,353</b>	<b>-5,668</b>
Payroll expenses linked to share-based payments	-625	-117
Other non-current operating income and expenses	-392	-50
<b>Operating income after share-based payments</b>	<b>-4,370</b>	<b>-5,836</b>
Income from cash and cash equivalents	331	581
Cost of gross financial debt	-49	-56
<b>Cost of net financial debt</b>	<b>282</b>	<b>525</b>
Other financial income and expenses	52	16
Net tax expense	-14	0
<b>Consolidated net income</b>	<b>-4,050</b>	<b>-5,295</b>
Minority interests	1	6
<b>Consolidated net income (Group share)</b>	<b>-4,049</b>	<b>-5,288</b>
<b>Other consolidated income</b>	<b>0</b>	<b>0</b>
<b>Global consolidated net income</b>	<b>-4,050</b>	<b>-5,295</b>
Minority interests	1	6
<b>Global consolidated net income (Group share)</b>	<b>-4,049</b>	<b>-5,288</b>
Consolidated net earnings per share (in euros)	-0.41	-0.44
Consolidated diluted net earnings per share (in euros)	-0.40	-0.43

## Balance sheet

(€ thousands)		31/12/2014	31/12/2015
<b>ASSETS</b>			
Goodwill		0	0
Intangible assets		2,953	4,241
Tangible assets		5,042	12,455
Non-current financial assets		348	351
Deferred tax assets		3,303	3,302
<b>TOTAL NON-CURRENT ASSETS</b>		<b>11,646</b>	<b>20,349</b>
Inventories		0	0
Client receivables		30	516
Corporate income tax receivables		0	15
Other receivables		1,880	3,969
Other non-financial current assets		0	0
Cash and cash equivalents		39,830	28,506
<b>TOTAL CURRENT ASSETS</b>		<b>41,740</b>	<b>33,006</b>
<b>TOTAL ASSETS</b>		<b>53,386</b>	<b>53,355</b>
<b>LIABILITIES</b>			
Capital		475	484
Premiums		55,914	56,632
Reserves and retained earnings		-3,524	-7,466
Global net income		-4,049	-5,287
<b>Shareholders' equity (Group share)</b>		<b>48,816</b>	<b>44,362</b>
<b>Minority interests</b>		<b>-25</b>	<b>17</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>48,791</b>	<b>44,380</b>
Financial debt		2,007	2,902
Retirement commitments		71	56
Provisions for non-current risks		300	300
Other non-current liabilities		0	0
Affiliated companies		0	0
Deferred tax liabilities		0	0
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>2,378</b>	<b>3,258</b>
Bank overdrafts		58	900
Current accounts		0	0
Other financial debt		0	0
Provisions for current risks		0	0
Corporate income tax payables		30	0
Supplier debt		704	1,881
Other current liabilities		1,425	2,936
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,217</b>	<b>5,717</b>
<b>TOTAL LIABILITIES</b>		<b>53,386</b>	<b>53,355</b>

## Cash flow statement

	31/12/2014	31/12/2015
<b>Global net income</b>	<b>-4,050</b>	<b>-5,295</b>
Depreciation, amortization and provisions (excluding provisions against current assets)	1,133	991
Expenses on share-based payments	625	117
Other computed expenses	0	0
Change in deferred tax	11	0
Share in income of companies accounted for by the equity method	24	0
Gains and losses on disposals	0	0
Share in subsidiaries	-28	0
<b>Cash flow</b>	<b>-2,285</b>	<b>-4,186</b>
Cost of gross financial debt	49	56
Tax	0	0
<b>Cash flow before cost of financial debt, net of tax</b>	<b>-2,236</b>	<b>-4,130</b>
Tax	0	0
Change in consumables	-73	12
Change in client receivables	182	-486
Change in supplier payables	275	1,078
Change in other current assets and liabilities (a)	-557	-279
<b>Change in working capital requirement linked to operations</b>	<b>-173</b>	<b>325</b>
<b>Net cash flow linked to operations</b>	<b>-2,409</b>	<b>-3,805</b>
Production of fixed assets (capitalized R&D)	-1,416	-2,039
Share of subsidiaries and research tax credit linked to development projects underway	438	739
Acquisitions of other tangible and intangible assets	-2,742	-8,407
Change in fixed asset liabilities	320	-264
Acquisitions of financial fixed assets	-346	-1
Disposals of other tangible and intangible assets	0	5
Disposals of financial assets	0	4
Cash flow linked to acquisitions and disposals of subsidiaries	51	0
<b>Net cash flow linked to investments</b>	<b>-3,695</b>	<b>-9,963</b>
Capital increase	37,774	727
Acquisitions and disposals of own shares	-325	49
New borrowings and other financial debt	1,287	-8
Repayments of borrowings and other financial debt	0	889
Change in current accounts	-68	0
Interest on borrowings and financial debt	0	-54
<b>Net cash flow linked to financing</b>	<b>38,668</b>	<b>0</b>
Change in cash	<b>32,564</b>	<b>1,603</b>
Opening cash (1)	7,208	39,772
Closing cash (1)	39,772	27,606
(a) o/w change in research tax credit:	164	-1,347